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BRIEF

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BRIEF
TO: IMMEDIATE PRIORITY MEA BRIEF.

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FROM: CPAS/ISS

SLUGS:

SUBJECT: HERewith SUPPORT CABLE FOR MIDDLE EAST BRIEF
FOR 24 AUGUST 1991

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REF: NONE

TEXT:

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FROM: DDI/O/CPAS

SUBJECT: MIDDLE EAST BRIEF FOR 24 AUGUST 1991.

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1. LEBANON: NEW FRICTION IN SOUTH

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Approved for Release
Date JUN 1999

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THE ISRAELI-BACKED ARMY OF SOUTH LEBANON YESTERDAY DEMANDED THAT RESIDENTS EVACUATE THREE SHIA VILLAGES IN AREAS CONTROLLED BY THE LEBANESE ARMY NORTH OF THE ISRAELI SECURITY ZONE. [REDACTED] THE ASL AND LEBANESE ARMY TROOPS DEPLOYED NEARBY EXCHANGED FIRE; BOTH FORCES ALSO CLASHED WITH ISLAMIC RESISTANCE GUERRILLAS IN SEPARATE INCIDENTS THIS WEEK. [REDACTED]

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ALTHOUGH THE LEBANESE GOVERNMENT DOES NOT WANT TO RISK ISRAELI INVOLVEMENT, IT CANNOT IGNORE THE ASL'S PROVOCATION FOR FEAR THAT ITS OWN EFFORTS TO REGAIN CREDIBILITY WILL SUFFER. INACTION AGAINST THE ASL WOULD INCREASE MUSLIM COMPLAINTS, ESPECIALLY SINCE THE ARMY BEGAN DOOR-TO-DOOR SEARCHES FOR WEAPONS LAST THURSDAY IN AREAS INCLUDING THE PALESTINIAN CAMPS. BEIRUT ALMOST CERTAINLY WILL TRY TO USE DIPLOMATIC CONTACTS TO CALM THE SITUATION BUT WILL NOT HESITATE TO RESPOND MILITARILY TO FURTHER ASL AFFRONT. THE LEBANESE GOVERNMENT HOPES TO BEGIN SHUTTING DOWN HIZBALLAH FACILITIES THIS FALL BUT PROBABLY WILL NEED A FORMAL GO-AHEAD FROM SYRIA. [REDACTED]

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2. SOUTH AFRICA: NATIONAL PARTY PREPARING FOR TALKS [REDACTED]

PRESIDENT DE KLERK HAS CALLED AN EXTRAORDINARY CONGRESS OF HIS RULING NATIONAL PARTY FOR 4 SEPTEMBER TO REVEAL DETAILED PROPOSALS FOR A NEW SOUTH AFRICAN CONSTITUTION TO BE NEGOTIATED WITH BLACK LEADERS. [REDACTED] HE WILL USE THE CONGRESS TO PRESS PARTY LEADERS TO ENDORSE THE PROPOSALS, WHICH MUST BE APPROVED BY THE FOUR PROVINCIAL BRANCHES. THE PARTY ALSO HAS NAMED A LEADING ADVOCATE OF NEGOTIATIONS TO THE NEW POSITION OF SECRETARY GENERAL AND HAS CHARGED HIM WITH PREPARING FOR TALKS WITH BLACK LEADERS AND WITH BUILDING PARTY MEMBERSHIP AMONG NONWHITES. [REDACTED]

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DE KLERK'S DECISION TO CALL A SPECIAL CONGRESS, THE FIFTH SINCE THE PARTY TOOK POWER IN 1948, INDICATES GROWING CONFIDENCE THAT THE TALKS PROCESS IS APPROACHING A WATERSHED; UNTIL NOW, PRETORIA HAS AVOIDED REVEALING ITS CONSTITUTIONAL PROPOSALS. THE CONGRESS IS SET FOR A WEEK BEFORE PRETORIA, THE ANC, AND INKATHA MEET TO SIGN A NEGOTIATED PEACE PLAN TO END TOWNSHIP VIOLENCE AND APPEARS TIMED FOR MAXIMUM IMPACT ON THE NEGOTIATIONS. GOVERNMENT AND ANC OFFICIALS APPEAR INCREASINGLY OPTIMISTIC THAT THE PEACE ACCORD AND PRETORIA'S RECENT APPROVAL OF A UN ROLE IN REPATRIATING THOUSANDS OF EXILES HAVE CLEARED THE WAY FOR A MULTIPARTY CONFERENCE ON CONSTITUTIONAL PRINCIPLES AND THE ANC'S DEMAND FOR AN INTERIM GOVERNMENT. [REDACTED]

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3. IN BRIEF

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AFRICA

--ZAIIRIAN OPPOSITION REJOINED STALLED NATIONAL CONFERENCE YESTERDAY . . . INSISTING SOME 600 EXTRA DELEGATES BROUGHT IN BY REGIME BE OUSTED . . . IF COMPROMISE NOT REACHED, OPPOSITION WILL AGAIN WALK OUT, PROBABLY CALL FOR GENERAL STRIKE.

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4. IRAN: DISCONTENT OVER ECONOMIC CONDITIONS GROWING

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POPULAR DISCONTENT OVER PRESIDENT RAFSANJANI'S ECONOMIC REFORM PROGRAM IS MOUNTING AND HAS PRODUCED DEMONSTRATIONS AND RIOTS IN THE PAST MONTH. RAFSANJANI, HOWEVER, PROBABLY BELIEVES CONTINUED REFORM IS A KEY TO REVIVING THE ECONOMY AND, ULTIMATELY, TO RETAINING HIS POLITICAL STANDING.

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LAST YEAR RAFSANJANI ANNOUNCED SWEEPING ECONOMIC REFORMS AND OUTLINED A NUMBER OF INITIATIVES IN THE FIVE-YEAR ECONOMIC DEVELOPMENT PLAN. HIS PROPOSALS INCLUDE UNIFYING MULTIPLE EXCHANGE RATES AND DEVALUING THE RIAL; SELLING A NUMBER OF STATE COMPANIES, MOST OF WHICH ARE LOSING MONEY; OPENING UP THE ECONOMY TO FOREIGN INVESTMENT AND OTHER FOREIGN FINANCING; AS WELL AS REMOVING SUBSIDIES ON MOST BASIC COMMODITIES AND REDUCING TRANSFERS TO MUNICIPALITIES IN ORDER TO HELP REDUCE THE MOUNTING GOVERNMENT BUDGET DEFICIT. IRAN'S RAPIDLY GROWING POPULATION, HOWEVER, WILL PUT INCREASED DEMANDS ON THE GOVERNMENT TO PROVIDE BASIC SERVICES, COMPLICATING EFFORTS TO RESTRAIN THE DEFICIT.

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REACTION TO REFORM

DISSATISFACTION WITH THE REFORM EFFORT ALMOST CERTAINLY IS BEHIND RECENT ARSON, BOMBINGS, AND PROTESTS IN TEHRAN, ESFAHAN, TABRIZ, AND RASHT. MANY IRANIANS SAY RECENT PRICE HIKES ON BASIC COMMODITIES, COMBINED WITH THE RISING COST OF HOUSING AND OTHER BASIC SERVICES, ARE MAKING IT HARD TO MAKE ENDS MEET.

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RAFSANJANI'S RADICAL POLITICAL OPPONENTS ARE TRYING TO EXPLOIT GROWING DISCONTENT BY ATTACKING HIS INABILITY TO IMPROVE LIVING CONDITIONS. THE HARDLINERS ARE NOT LIKELY TO DERAIL THE REFORM PROGRAM, HOWEVER, BECAUSE MANY OF THE POLICIES THEY ADVOCATE, INCLUDING STRICT ADHERENCE TO ISLAMIC DRESS AND RESTRICTED FOREIGN ECONOMIC PARTICIPATION, ARE WIDELY UNPOPULAR.

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ROUGH ROAD AHEAD

FEAR OF FURTHER UNREST AND CRITICISM BY POLITICAL OPPONENTS PROBABLY WILL CONSTRAIN THE ECONOMIC REFORM EFFORT IN THE NEXT SEVERAL MONTHS AS RAFSANJANI TRIES TO ADJUST THE PACE AND SCOPE OF IMPLEMENTATION. IRAN'S COMPLEX ECONOMIC PROBLEMS CANNOT BE CURED QUICKLY OR PAINLESSLY; RAFSANJANI MUST BALANCE THE COSTS AND BENEFITS OF ECONOMIC RESTRUCTURING, PARTICULARLY THE IMPACT ON THE PUBLIC AND FOREIGN INVESTORS. RAPID REFORM COULD IGNITE MAJOR

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DISTURBANCES AND POLITICAL MANEUVERING AGAINST HIM, BUT PROCEEDING TOO SLOWLY COULD LEAD TO A FURTHER DETERIORATION IN LIVING CONDITIONS.

RAFSANJANI'S ECONOMIC DEVELOPMENT PLAN INDICATES HE PROBABLY BELIEVES PUSHING AHEAD WITH ECONOMIC REFORM IS A KEY TO THE REVIVAL OF THE ECONOMY AND, ULTIMATELY, TO HIS POLITICAL STANDING. HE IS LIKELY TO EXPAND HIS MEDIA CAMPAIGN TO COUNTER RADICAL CRITICISM OF HIS ECONOMIC POLICIES AND TO PREPARE THE PUBLIC FOR FURTHER REFORM BY CAUTIONING THAT THE ROAD TO RECOVERY IS LONG. RAFSANJANI WILL TRY TO CURB INFLATION BY CRACKING DOWN ON "ECONOMIC SABOTEURS," ESPECIALLY MERCHANTS WHO RAISE PRICES "EXCESSIVELY." HE PROBABLY WILL INTENSIFY EFFORTS TO SECURE AID, PARTICULARLY WORLD BANK AND IMF LOANS.

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